

31 January 2007

## Highlights

- **Group annual copper production for 2006 reached 465,500 tonnes (2005 – 467,300 tonnes), above the original forecast for the year of 441,500 tonnes.**
- **Molybdenum production at Los Pelambres increased by 13% to 9,800 tonnes (2005 – 8,700 tonnes).**
- **Group cash costs for 2006 increased by 26.3 cents per pound to 40.2 cents per pound. This was due to a combination of higher on-site costs as expected, increased tolling charges due to price participation, and reduced by-product credits from lower molybdenum prices.**

Group Total	Q1 2006	Q2 2006	Q3 2006	Q4 2006	Full Year 2006	Full Year 2005
Total production of payable copper ('000 tonnes)	107.0	100.9	126.4	131.2	465.5	467.3
Total production of payable moly ('000 tonnes)	2.0	2.1	2.9	2.8	9.8	8.7
Weighted average cash costs (cents per pound)	49.7	43.9	31.4	38.0	40.2	13.9

### Los Pelambres

Production of payable copper at Los Pelambres was 93,800 tonnes in Q4, an increase of 5.6% over the previous quarter. This was due to higher plant throughput as the 140,000 tonnes per day expansion project continued to impact processing levels ahead of schedule, together with improved ore grades. Annual copper production for 2006 was 324,200 tonnes, marginally ahead of 2005. This was also above the original forecast for 2006 of 308,000 tonnes due to the better than expected grades and the early implementation of the plant expansion. Shipments in the year amounted to 324,800 tonnes. For 2007, production is expected to be approximately 321,000 tonnes.

Molybdenum production in Q4 was 2,800 tonnes, slightly below the previous quarter, but total production for 2006 reached 9,800 tonnes, an increase of 13% over the previous year, mainly due to higher molybdenum grades. Shipments in the year were 9,900 tonnes. Molybdenum production is expected to be approximately 11,000 tonnes in 2007.

Cash costs in Q4 were 14.6 cents per pound compared with 5.7 cents per pound in Q3, mainly due to lower by-product credits. Cash costs for the 2006 full year were 16.4 cents per pound, compared with negative 17.1 cents per pound in 2005. The annual increase was due to a combination of lower by-product credits, higher tolling charges and increased on-site and shipping costs. By-product credits decreased by 12.1 cents mainly due to lower molybdenum market prices, which averaged US\$24.8 per pound in 2006 compared with US\$32.0 per pound in 2005. Tolling charges were 12.1 cents higher mainly through price participation with smelters as the LME copper price averaged 305.3 cents per pound in 2006 compared with 167.1 cents the previous year. On-site and shipping costs averaged 56.4 cents per pound in 2006, in line with expectations but 9.3 cents per pound above 2005 mainly as a result of cost pressures including oil, plant and machinery hire and freight.

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### **El Tesoro**

Cathode production at El Tesoro in Q4 was 25,600 tonnes, marginally below the previous quarter. Production for the full year was 94,000 tonnes which represented a 4.2% decrease from the previous year, as lower expected ore grades and recoveries offset the increase in ore throughput following the plant expansion carried out during 2005. Production was nevertheless ahead of the original forecast for 2006 of 91,600 tonnes. For 2007, production is expected to be approximately 89,000 tonnes.

Cash costs were 79.1 cents per pound in Q4 and averaged 78.6 cents per pound in the 2006 full year. Full year costs remained in line with forecast, but increased compared with 66.1 cents in 2005. The expected increase resulted from a combination of input cost pressures (including exchange rates and inflation) and operational factors (including a higher waste-to-ore ratio, higher acid consumption due to an increased level of carbonates and the effect of the lower ore grade on production).

### **Michilla**

Michilla produced 11,900 tonnes of copper cathodes in Q4, marginally above the Q3 production level. Total production in 2006 was 47,300 tonnes. This represented an increase of 1.9% over the previous year, as a result of increased throughput and higher recoveries, partly offset by the lower ore grade. Production was also ahead of the original forecast for 2006 of 41,900 tonnes. Production is expected to be approximately 43,000 tonnes in 2007.

Cash costs in Q4 were 133.9 cents per pound, an increase of 4.8% over the previous quarter due to the higher volume of ore treated to compensate for lower grades and recoveries. Cash costs for the full year were 126.4 cent per pound, marginally lower than forecast but 7.6 cents per pound higher than 2005. The increase was mainly due to the higher cost of processing third party materials and, to a lesser extent, higher input costs.

### **Transport**

The transport division had a successful year, with combined rail and road tonnages reaching 1.6 million tons in Q4. Full year rail tonnages in 2006 increased by 3.5% compared with the previous year due to increases in the second half from various mines including the start-up of the Spence copper project.

### **Water**

The water division continued to perform strongly, with Q4 water volumes increasing to 9.9 million cubic metres, the highest of the year. The volume of water sold in 2006 increased by 14.3% over the previous year to 37.8 million cubic metres, as a result both of higher domestic consumption and higher sales to industrial customers including Spence which started its operations during the second half of this year.

Los Pelambres	Q1 2006	Q2 2006	Q3 2006	Q4 2006	Full Year 2006	Full Year 2005
<b>Production statistics</b>						
Daily average ore treated ('000 tonnes)	120.9	119.5	130.0	139.1	127.4	128.1
Average ore grade (%)	0.81	0.84	0.78	0.83	0.81	0.80
Average recovery (%)	88.1	88.2	89.3	89.2	88.7	89.2
Concentrate produced ('000 tonnes)	194.8	200.2	207.4	240.3	842.6	865.1
Average concentrate grade (%)	39.6	40.0	40.2	39.6	39.9	38.5
Fine copper in concentrate ('000 tonnes)	76.6	69.8	91.8	97.0	335.2	333.8
Payable copper in concentrate ('000 tonnes)	74.1	67.5	88.8	93.8	324.2	322.8
Average moly ore grade (%)	0.026	0.027	0.028	0.029	0.028	0.022
Average moly recovery (%)	74.4	76.0	77.8	75.8	76.1	79.9
Payable moly ('000 tonnes)	2.0	2.1	2.9	2.8	9.8	8.7
<b>Cash costs statistics</b>						
On-site and shipping costs (cents per pound)	54.5	56.8	56.5	57.7	56.4	47.1
Tolling charges for concentrates (cents per pound)	34.8	45.4	41.9	37.3	39.7	27.6
By - product credits (cents per pound) *	(59.5)	(83.7)	(92.7)	(80.4)	(79.7)	(91.8)
Cash costs (cents per pound)	29.8	18.5	5.7	14.6	16.4	(17.1)

(\*) Note: By-products credits do not include any costs attributable to the production of molybdenum concentrate. By-product calculations also do not take into account unrealised mark-to-market gains at the beginning or end of each period.

El Tesoro	Q1 2006	Q2 2006	Q3 2006	Q4 2006	Full Year 2006	Full Year 2005
Daily average ore treated ('000 tonnes)	29.7	28.6	27.9	28.7	28.7	27.2
Average ore grade (%)	0.99	1.18	1.25	1.21	1.16	1.23
Average recovery (%)	77.9	73.9	80.4	80.0	78.1	80.2
Copper cathodes ('000 tonnes)	20.8	21.8	25.9	25.6	94.0	98.1
Cash costs (cents per pound)	79.6	79.8	76.1	79.1	78.6	66.1

Michilla	Q1 2006	Q2 2006	Q3 2006	Q4 2006	Full Year 2006	Full Year 2005
Daily average ore treated ('000 tonnes)	14.6	15.4	15.0	15.8	15.2	14.9
Average ore grade (%)	1.13	1.07	1.03	0.99	1.05	1.10
Average recovery (%)	76.2	76.4	80.9	79.4	78.2	75.4
Copper cathodes ('000 tonnes)	12.1	11.6	11.7	11.9	47.3	46.4
Cash costs (cents per pound)	120.2	123.9	127.8	133.9	126.4	118.8

Transport	Q1 2006	Q2 2006	Q3 2006	Q4 2006	Full Year 2006	Full Year 2005
Rail tonnage transported ('000 tons)	1,122	1,011	1,104	1,249	4,486	4,336
Road tonnage transported ('000 tons)	383	367	361	345	1,456	1,522

Water	Q1 2006	Q2 2006	Q3 2006	Q4 2006	Full Year 2006	Full Year 2005
Water volume sold – potable and untreated ('000 m <sup>3</sup> ) **	9,304	9,231	9,328	9,935	37,798	33,074

(\*\*) Note: Water volumes include water transportation of 270,000 m<sup>3</sup> in Q1, 740,000 m<sup>3</sup> in Q2, 254,000 m<sup>3</sup> in Q3, 340,000 m<sup>3</sup> in Q4 and total for 2006 of 1,604,000 m<sup>3</sup> (compared to 1,047,000 m<sup>3</sup> in 2005).